

Despite Recent Declines, Agricultural Exports Play a Vital Role in the Economy

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Exports make an important contribution to the farm sector and to the U.S. economy as a whole. In calendar year 1999, the United States exported \$48.3 billion worth of agricultural products, down from \$51.8 billion in 1998. Exports rebounded to \$51.6 billion during 2000.

The decline in dollar value of exports is due to low prices for bulk commodities, large world supplies, and global demand weakened by the sluggish economies in Asia, Russia, and Latin America. The U.S. dollar is still strong.

Agricultural exports play an important role in the economy, supporting jobs on farms, in food processing, other manufacturing plants, and in the transportation and trade sectors. Agricultural exports generated an estimated 735,000 jobs in 1999, of which 295,000 were on farms. The impact of agricultural exports on the U.S. economy is far-reaching. Every dollar of exports generated an additional \$1.39 in economic activity in supporting sectors (table 1).

Imports of agricultural products were worth \$37.9 billion in 1999, up from \$37.1 billion in 1998. Agricultural imports rose in calendar year 2000 to \$39 billion.

Since agricultural exports exceeded imports, the United States had a positive trade balance in agricultural products of \$10.4 billion in 1999. This balance shrunk in 1999 and will continue to shrink as agricultural exports fall and imports rise. About \$8 billion worth of imports were such commodities as bananas, coffee, and tea, which do not compete with U.S. products. The remaining \$29.9 billion is comprised of imports—such as meat, dairy products, fruits, nuts, vegetables, sugar, and wines—that compete with U.S. products.

Processed agricultural products have more extensive impacts on the U.S. economy than exports of bulk unprocessed commodities. Nonbulk products account for most of the economic activity generated by agricultural exports. In 1999, they accounted for 370,000 of the 735,000 jobs attributed to agricultural exports. Each dollar of nonbulk agricultural exports (fresh fruits and vegetables and “value-added” processed products) generated an additional \$1.56 in supporting activity, compared with \$1.11 for each dollar of bulk exports

(grains, oilseeds, and cotton). Bulk exports generated more U.S. jobs per \$1 billion of exported commodity than did processed exports. In 1999, \$1 billion of bulk exports supported 20,900 U.S. jobs, compared with 12,100 for nonbulk exports.

Also in 1999, the United States imported more processed or high-value foods than it exported, resulting in a negative trade balance in nonbulk commodities. Part of this shift in trading patterns is due to a redefinition and reclassification, by ERS, of what commodities are “bulk.” Up until 1997, this analysis used U.S. Dept. of Commerce, BEA, and Bureau of Census classifications of commodities. To prevent conflicts with other ERS publications, in 1998, this analysis was switched to an ERS-MTED classification scheme of bulk and nonbulk commodities. **RA**

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Table 1
U.S. economic activity triggered by agricultural trade

Item	1997 total	1998 total	1999		
			Total	Bulk	Other
Billion dollars					
Economic activity generated by agricultural exports	130.8	119.7	115.6	37.4	78.2
Exports	57.3	51.8	48.3	17.7	30.6
Agricultural imports	36.3	37.1	37.9	1.8	36.1
Complementary	9.4	9.0	8.0	0.0	8.0
Competitive	26.9	28.1	29.9	1.8	28.1
Agricultural trade balance	21.0	14.7	10.4	15.9	-5.5
Supporting activities	73.5	67.9	67.3	19.7	47.6
Farm	16.6	14.2	12.8	0.8	12.0
Food processing	6.2	5.7	5.1	.1	5.0
Other manufacturing	16.2	15.1	15.0	5.5	9.5
Trade and transportation	10.9	10.8	11.7	3.5	8.2
Other services	23.6	22.1	22.7	9.7	13.0
Percent					
Nonfarm share of supporting economic activity	77	79	81	96	75
Export multiplier (additional business activity generated by \$1 of exports)	1.28	1.31	1.39	1.11	1.56
1,000 jobs					
Employment generated by agricultural exports	871	808	735	365	370
Farm	321	320	295	205	90
Employment per billion dollars of agricultural exports	15.2	15.6	15.2	20.6	12.1
Percent					
Share of farm workforce supported by agricultural exports	9	9	9	6	3
1,000 jobs					
Nonfarm	550	488	440	160	280
Food processing	90	78	71	0	71
Other manufacturing	76	65	59	25	34
Trade and transportation	175	155	135	58	77
Other services	209	190	175	77	98
Billion dollars					
Domestic equivalent of economic activity generated by competitive imports	63.9	66.7	70.6	3.8	66.8
Net business surplus of agricultural trade	57.5	44.0	45.0	33.5	11.5
Nonfarm, nonfood processing sectors:					
Net direct benefit from exports	6.9	6.4	4.6	3.7	.9
Net increased output from exports	41.6	26.2	20.9	16.7	4.2
Percent					
Farm share of total income from exports	29	27	24	36	17
Trade and transportation share of total income from exports	22.7	23.3	24.5	24.5	24.4

Source: Calculated by ERS using data from the U.S. Department of Commerce.